nual Repor
2001

Table of Contents

LETTER FROM THE MINISTER 1

LETTER FROM DEPUTY MINISTER 2

MESSAGE FROM THE CHIEF OPERATING OFFICER 3

AGENCY PROFILE

- Background 4
- Mission 5
- Mandate 5
- Goals and Objectives 5
- Services 7
- Markets 7

STRUCTURE 8

PERFORMANCE REVIEW 9

CRITICAL SUCCESS FACTORS 9

PERFORMANCE TARGETS AND ACCOMPLISHMENTS 10

FUTURE OUTLOOK

- The Advisory Board 15

MANAGEMENT REPORT 16

AUDITED FINANCIAL STATEMENTS

- Auditors' Report 17
- Balance Sheet 18
- Statement of Income and Deficit 19
- Statement of Cash Flows 20
- Notes to Financial Statements 21

Annual Report 2001

Letter from the Minister

MINISTER OF EDUCATION, TRAINING AND YOUTH

Room 168
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

The Honourable Peter Liba
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8

Your Honour:

I have the privilege of presenting the Manitoba Education, Research and Learning Information Networks (MERLIN) Annual Report for the operational year ending March 31, 2001.

Yours sincerely,

Honourable Drew Caldwell

Manitoba • Education • Research Learning • Information • Networks

MERLIN

Annual Report 2001

Manitoba

Deputy Minister of Education, Training and Youth

Room 162
Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

Honourable Drew Caldwell
Minister of Education, Training and Youth
Room 168 Legislative Building
Winnipeg MB R3C 0V8

Dear Sir:

I am pleased to submit the 2000-01 Annual Report of the Manitoba Education Research and Learning Information Networks (MERLIN) special operating agency for the year ending March 31, 2001.

MERLIN realized savings of $435,930 for the education community during the past year. Net income (loss) for the year was $16,000.

A five-year Effectiveness Review took place in the summer of 2000 to address the relevance of the Agency to the education community. Results indicated that the Agency is viable but needed to plan new strategies to be more responsive to the education community. The Agency continues to make progress in the area of service delivery and adaptability to the needs of their client base. Because of the changes the Agency was undergoing, the complement of the Advisory Board was to be reviewed. This role will be determined in the next fiscal year.

I would like to take this opportunity to thank all staff for their dedication and efforts which have contributed towards MERLIN's success.

Respectfully,

Ben Levin Ph.D.
Deputy Minister

102-00383/

Message from the Chief Operating Officer

The past year has seen dynamic changes at MERLIN. Following an external five-year Effectiveness Review, MERLIN began taking the first tangible steps in analyzing the lessons learned over the previous five years and re-establishing itself as an effective and valuable educational organization for the future.

According to the Effectiveness Review, the education community felt some of MERLIN's methods of service delivery were not effectively targeted.

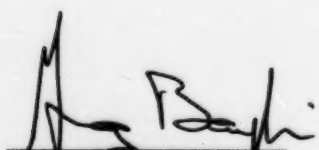
MERLIN took the following steps:

- Reviewed current services and methods for comparison with what the Review had identified as relevant
- Developed a discussion paper to take to the education community
- Consulted with educational organizations throughout the province for feedback on the proposed changes
- Received overwhelming approval for the changes
- Began to implement changes – transitional year

We continue to provide similar services but in a different manner. Areas of improvement include an emphasis on the K-S4 system, a focus on provincial services, improved access to MERLIN's services for rural and northern schools, and improved accountability and proactive planning.

MERLIN anticipates that these changes will help schools and school divisions become self-sustaining in the use of technology, provide equitable service between urban and rural school divisions, and assist in the development of standards which should lead to higher reliability and lower costs. We believe that the on-going changes and consultations with stakeholders will have positive impacts on learners in the province.

I would like to take this opportunity to thank MERLIN staff for their hard work and dedication over this past year that has resulted in this exciting new vision for the Agency.



GREG BAYLIS
Chief Operating Officer

Manitoba • Education • Research • Learning • Information • Network
MERLIN

Agency Profile

BACKGROUND

In the summer of 2000, a five-year Effectiveness Review of MERLIN's (Manitoba Education, Research and Learning Information Networks) operation indicated that some of MERLIN's methods for delivering services were not as well targeted to the needs of the education community as they could have been. Focus groups, surveys, and interviews with stakeholders and clients supported that view.

In response to the evaluation, MERLIN developed a draft discussion paper which was taken to the education community for discussion. This consultation process involved regional meetings throughout the province with educational stakeholders including school superintendents, computer coordinators, technicians and Manitoba Education, Training and Youth staff. The education community overwhelmingly supported MERLIN's proposed direction. From these discussions, a new Business Plan was developed that more clearly responded to the needs of the education community through the development of a new mission statement, mandate, objectives and goals.

MERLIN staff and management recognized that proceeding solely with the original 2000-01 Business Plan would be unresponsive to the identified needs of education. It was imperative that the organization initiate changes immediately. This new role of supporting and consulting with the education community was important to improving educational services to learners. With the endorsement of the Deputy Minister, MERLIN began the process of planning and implementing a new five-year mandate.

The contents of this Annual Report reflect MERLIN's ongoing services as well as changes undertaken during this transition year.

We have provided both the revised and previous plans employed by MERLIN for comparison purposes.

M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

THE PAGES WHICH FOLLOW HAVE BEEN FILMED TWICE IN ORDER TO OBTAIN THE BEST REPRODUCTIVE QUALITY

USERS SHOULD CONSULT ALL THE PAGES REPRODUCED ON THE FICHE IN ORDER TO OBTAIN A COMPLETE READING OF THE TEXT.

REMARQUE IMPORTANTE CONCERNANT LES PAGES QUI SUIVENT

LES PAGES SUIVANTES ONT ÉTÉ REPRODUITES EN DOUBLE AFIN D'AMÉLIORER LA QUALITÉ DE REPRODUCTION

LES UTILISATEURS DOIVENT CONSULTER TOUTES LES PAGES REPRODUITES SUR LA FICHE AFIN D'OBTENIR LA LECTURE DU TEXTE INTÉGRAL

micromedia
a division of IHS Canada

20 Victoria Street
Toronto, Ontario M5C 2N8
Tel.: (416) 362-5211
Toll Free: 1-800-387-2689
Fax: (416) 362-6161
Email: info@micromedia.on.ca

Agency Profile

REVISED MISSION STATEMENT

To support the use of technology in improving educational services to learners.

REVISED MANDATE

- Provide services that support educational institutions in the application of technology tools to enhance and expand program delivery;
- Provide direction and management in the educational use of networks, acting as a broker of services to meet customer needs.

REVISED GOALS AND OBJECTIVES

Goals:

- Provide products and services in a manner which improves equity across the Province;
- Provide products and services that support self-sufficiency at the school division level;
- Facilitate and support improved communication between the Department of Education, Training and Youth and school divisions in the area of learning technologies;
- In consultation with the Department provide support and direction in distance learning initiatives with a focus on the technology infrastructures required to deliver distance learning opportunities;
- Support the goals of the Department of Education, Training and Youth;
- Be proactive in embracing opportunities and fostering relationships to the advantage of the education community.

PREVIOUS MISSION STATEMENT

To deliver, support and promote the use of technology and technology infrastructures that enables the delivery of quality education and training for all Manitobans.

PREVIOUS MANDATE

- To provide direction and management in the educational use of networks, acting as a broker of services to meet customer needs;
- To provide services that support educational institutions (K-S4 and Post-Secondary) in the application of technology tools to enhance and expand program delivery;
- To identify opportunities for economic development resulting from the use of technology in education and training environments in partnership with the private sector and economic development agencies.

PREVIOUS GOALS AND OBJECTIVES

Goals:

- Foster growth in the use of technology in the education sector so that Manitoba's students benefit from access to the tools and knowledge they will need to succeed in the global information economy;
- Be recognized as a leader in the information technology field, including the use of and management of networks, software and systems and be seen as the information technology provider of choice for the education community;

Agency Profile

REVISED MISSION STATEMENT

To support the use of technology in improving educational services to learners.

REVISED MANDATE

- Provide services that support educational institutions in the application of technology tools to enhance and expand program delivery;
- Provide direction and management in the educational use of networks, acting as a broker of services to meet customer needs.

REVISED GOALS AND OBJECTIVES

Goals:

- Provide products and services in a manner which improves equity across the Province;
- Provide products and services that support self-sufficiency at the school division level;
- Facilitate and support improved communication between the Department of Education, Training and Youth and school divisions in the area of learning technologies;
- In consultation with the Department provide support and direction in distance learning initiatives with a focus on the technology infrastructures required to deliver distance learning opportunities;
- Support the goals of the Department of Education, Training and Youth;
- Be proactive in embracing opportunities and fostering relationships to the advantage of the education community.

PREVIOUS MISSION STATEMENT

To deliver, support and promote the use of technology and technology infrastructures that enables the delivery of quality education and training for all Manitobans.

PREVIOUS MANDATE

- To provide direction and management in the educational use of networks, acting as a broker of services to meet customer needs;
- To provide services that support educational institutions (K-S4 and Post-Secondary) in the application of technology tools to enhance and expand program delivery;
- To identify opportunities for economic development resulting from the use of technology in education and training environments in partnership with the private sector and economic development agencies.

PREVIOUS GOALS AND OBJECTIVES

Goals:

- Foster growth in the use of technology in the education sector so that Manitoba's students benefit from access to the tools and knowledge they will need to succeed in the global information economy;
- Be recognized as a leader in the information technology field, including the use of and management of networks, software and systems and be seen as the information technology provider of choice for the education community;

Agency Profile

Objectives:

- Aggregate demand across the Province for hardware and software to provide better opportunities for all school divisions;
- Improve our ability to provide our services and products in the French language;
- Build on our existing business relationships with suppliers to improve the range of connectivity options available to remote school divisions;
- Develop linkages with aboriginal organizations to improve their ability to take advantage of our initiatives;
- Provide services to rural and northern school divisions at costs similar to urban divisions to increase equity among all divisions;
- Collaboratively develop provincial standards across the K-S4 system for use of information technology that will result in higher reliability and lower costs;
- Provide training to school divisions to assist them in acquiring the skills required to sustain operations and enhance their own technology infrastructures;
- Deliver specific services directly to those divisions where the technical resources are unavailable;
- Play a coordinating role in promoting a collaborative approach among school divisions in order to maintain standards and apply economies of scale;
- Continue to regularly meet, consult, discuss, and collaborate with the Department and school divisions to strengthen ties between curriculum planning and technology supply.
- Become a Centre of Innovation, supporting the needs of the education community in Manitoba;
- Promote the use of products developed by education in Manitoba for use in other jurisdictions;
- Ensure that technology choices being made by education integrate existing and developing infrastructures;
- Support the education reform initiatives of the government;
- Ensure that MERLIN's services are cost-recoverable and the Agency becomes self-sustaining.
- Be client-focused in the delivery of our products, services and information;
- Continue to modify our inventory of services to ensure that we meet the needs of the education community;
- Deliver value-added services at a reasonable cost;
- Expand the client-base of the Agency;
- Be identified as the provincial Government's video and audio conferencing service provider;
- Develop the flexibility needed within the organization to allow it to react quickly and effectively to the needs of clients;
- Support and comply with the principles of the Sustainable Development Act;
- Promote the Agency's services to assist other organizations to achieve their sustainable development goals.

Agency Profile

REVISED SERVICES

- Provincial Licensing/Purchasing
- Conferencing (Audio/Video)
- Web Delivery
- Internet
- Information Technology (networking, security, desktop)
- Technical Training
- Provincial Technology Standards

REVISED MARKETS

Primary
Schools and school divisions (K-S4) comprised of 56 school divisions, 717 public schools, 94 independent schools, and 53 band-operated schools within 62 First Nations.

Secondary
7 post-secondary institutions, adult learners, Department of Education, Training and Youth

Tertiary
Other government departments and organizations

PREVIOUS SERVICES

- Brokering/Licensing
- Audio/Video Conferencing
- Video Conferencing /Satellite
- Web
- Internet
- Technology Systems Planning
- Information on Technology Trends/ New Products and Evaluation
- Training

PREVIOUS MARKETS

- 56 school divisions (representing 717 schools)
- 7 post-secondary institutions
- 94 independent schools
- Band-operated schools
- Adult learners
- The Department of Education and Training
- Government departments
- Non-profit and other organizations

Agency Profile

Objectives:

- Aggregate demand across the Province for hardware and software to provide better opportunities for all school divisions;
- Improve our ability to provide our services and products in the French language;
- Build on our existing business relationships with suppliers to improve the range of connectivity options available to remote school divisions;
- Develop linkages with aboriginal organizations to improve their ability to take advantage of our initiatives;
- Provide services to rural and northern school divisions at costs similar to urban divisions to increase equity among all divisions;
- Collaboratively develop provincial standards across the K-S4 system for use of information technology that will result in higher reliability and lower costs;
- Provide training to school divisions to assist them in acquiring the skills required to sustain operations and enhance their own technology infrastructures;
- Deliver specific services directly to those divisions where the technical resources are unavailable;
- Play a coordinating role in promoting a collaborative approach among school divisions in order to maintain standards and apply economies of scale;
- Continue to regularly meet, consult, discuss, and collaborate with the Department and school divisions to strengthen ties between curriculum planning and technology supply.
- Become a Centre of Innovation, supporting the needs of the education community in Manitoba;
- Promote the use of products developed by education in Manitoba for use in other jurisdictions;
- Ensure that technology choices being made by education integrate existing and developing infrastructures;
- Support the education reform initiatives of the government;
- Ensure that MERLIN's services are cost-recoverable and the Agency becomes self-sustaining.
- Be client-focused in the delivery of our products, services and information;
- Continue to modify our inventory of services to ensure that we meet the needs of the education community;
- Deliver value-added services at a reasonable cost;
- Expand the client-base of the Agency;
- Be identified as the provincial Government's video and audio conferencing service provider;
- Develop the flexibility needed within the organization to allow it to react quickly and effectively to the needs of clients;
- Support and comply with the principles of the Sustainable Development Act;
- Promote the Agency's services to assist other organizations to achieve their sustainable development goals.

Agency Profile

REVISED SERVICES

- Provincial Licensing/Purchasing
- Conferencing (Audio/Video)
- Web Delivery
- Internet
- Information Technology (networking, security, desktop)
- Technical Training
- Provincial Technology Standards

REVISED MARKETS

Primary
Schools and school divisions (K-S4) comprised of 56 school divisions, 717 public schools, 94 independent schools, and 53 band-operated schools within 62 First Nations.

Secondary
7 post-secondary institutions, adult learners, Department of Education, Training and Youth

Tertiary
Other government departments and organizations

PREVIOUS SERVICES

- Brokering/Licensing
- Audio/Video Conferencing
- Video Conferencing /Satellite
- Web
- Internet
- Technology Systems Planning
- Information on Technology Trends/ New Products and Evaluation
- Training

PREVIOUS MARKETS

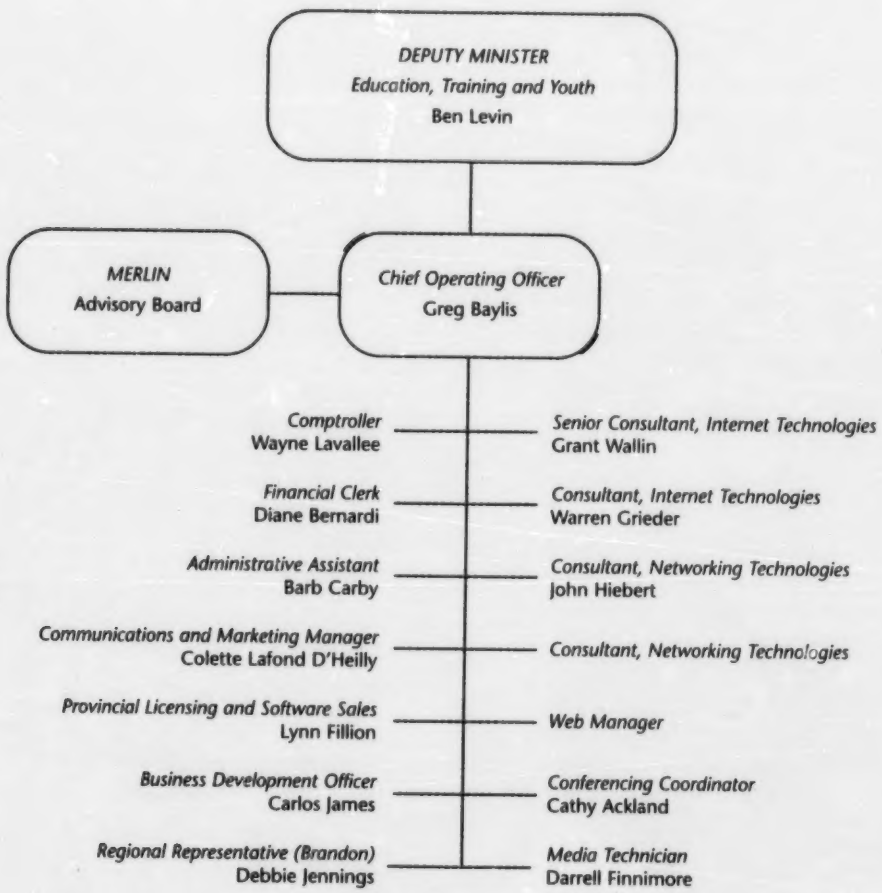
- 56 school divisions (representing 717 schools)
- 7 post-secondary institutions
- 94 independent schools
- Band-operated schools
- Adult learners
- The Department of Education and Training
- Government departments
- Non-profit and other organizations

Manitoba • Education • Research • Learning • Information • Networks

MERLIN

Organizational Structure

MERLIN has 13 permanent staff years in addition to term and contract employees. The Agency operates with a team approach from a functional perspective. Administration, Marketing, Finance, Business Planning and Client Services teams each operate on an ad hoc basis. The Agency uses regular weekly staff meetings to share information.



Performance Review

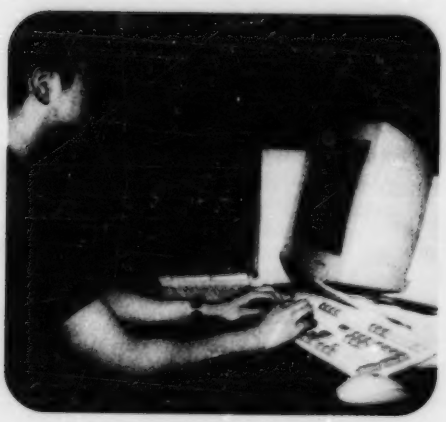
While during this past year MERLIN worked towards a new mission and mandate, the targets and accomplishments in this report are based on the Performance Measurement Framework submitted with our 2000-01 Business Plan. MERLIN's basic services have not changed but have been provided in a different manner based on revised objectives and goals. Those services identified by the education community as areas for improvement were revised.

CRITICAL SUCCESS FACTORS

1 Provide a wide array of services that meet the needs of the education community

2 Generate an awareness of the Agency's services and capabilities to existing and potential new clients - External Communication: Marketing and Promotion

3 Provide services that reflect a client service focus and need



4 Maintain and improve internal processes on an ongoing basis to ensure the effectiveness and efficiency of the Agency in meeting the needs of its internal and external clients - Internal communication/organization

Manitoba • Education • Research Learning • Information • Networks

MERLIN

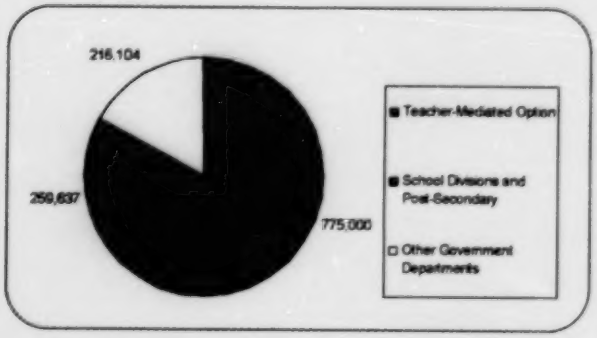
1 Provide a wide array of services that meet the needs of the education community

AUDIO CONFERENCING

Audio conferencing continued to be of value to clients. 1,034,637 audio conferencing port minutes were used by educational organizations out of a total of 1,250,741 port minutes. The Teacher-Mediated Option utilized 775,000 port minutes serving more than 800 students. Post-secondary institutions used this mode of communication for course delivery. In total the education community saved $255,930.59 over private sector rates.

Government departments used the remainder of audio port minutes. MERLIN continued to be the audio conference provider of choice for the Government of Manitoba.

AUDIO PORT MINUTES - CLIENT USE



VIDEO CONFERENCING

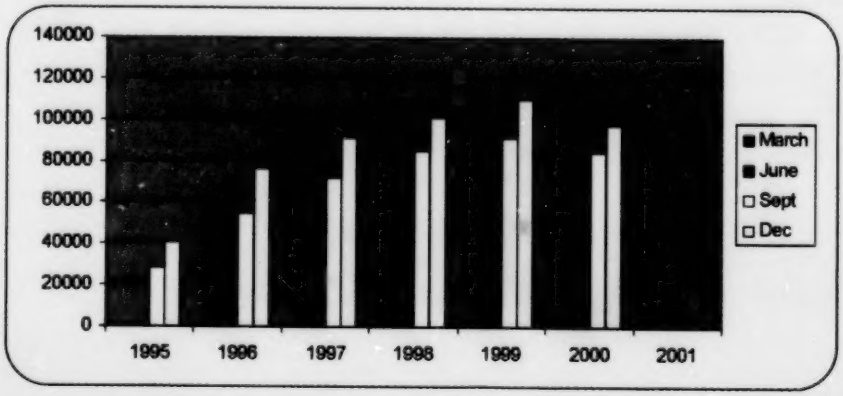
MERLIN provided approximately 30-35 hours of videoconferencing. The majority of usage was from organizations outside of education.

The Agency coordinated and managed the Instructional Interactive Television (IITV) Network, which involved overseeing maintenance contracts. A series of meetings occurred over the past year to review the network, consider new options for maintenance, and negotiate a new three-year maintenance contract. The creation of a webboard for IITV users provided a communication forum for networking and information sharing.

INTERNET

MERLIN managed more than 6,700 Internet accounts. The Agency maintained a 5-day target turnaround time in processing new, transferred, and deleted accounts. A total of 388,305 modem connect hours were used. The Agency's Help Line continued to be widely used for free technical support on concerns ranging from Internet access to network and computer hardware issues.

MODEM CONNECT HOURS BY QUARTER



MbNet, the host of MERLIN's MINET Internet service to schools, was purchased by a third-party which increased MERLIN's access costs. Consequently, the Agency sought alternatives for this service. Internet revenue was impacted primarily because urban school divisions opted for less expensive Internet connectivity. The Agency investigated opportunities to offset this declining revenue.

TRAINING

A series of customized courses and workshops were requested by and delivered to clients.

- Technology Planning (2- two-day sessions) in Brandon
- Computer Security Seminar in Winnipeg
- ZenWorks Workshops in rural Manitoba
- Windows 3.1 Workshops for Manitoba First Nations Education Resource Centre at the Special Area Group (SAG) Conference
- Distance Education - Distance Learning Partnership and Computer Education Coordinators of Manitoba
- Licensing Presentation in Brandon
- CUSB/MERLIN Train the Trainer Program - PowerPoint workshop in the North (Snow Lake)

WEB SERVICES

MERLIN hosted on its servers a number of secondary school courses for web-based distance delivery. This provided an opportunity for teachers to create and deliver courses and for students to access courses not otherwise available. Improved access and support for distance delivery benefited the education field.

The Agency continued to manage the Department's Internet web server which was accessed extensively by school divisions.

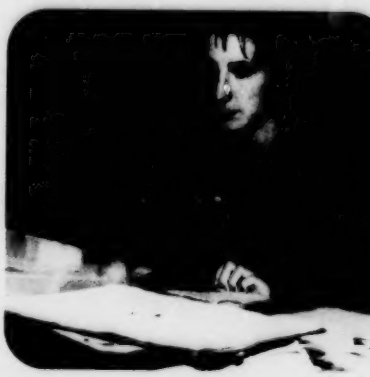
Manitoba • Education • Research • Learning • Information • Networks
MERLIN

Performance Targets and Accomplishments

BROKERING (LICENSING)

Partnerships with suppliers allowed the Agency to provide significant cost savings. Free advice on the license and purchase of software was a value-added factor for clients. Agreements included:

- Microsoft Select Agreement was renegotiated for a 2-year period. Sales increased substantially in the past fiscal year providing school divisions with a total savings of $180,000 over the next best licensing option.
- Curriculum Computer Corporation – special pricing for SuccessMaker and Destinations software
- Thinkspace Inc. for Geographic Information Systems (G.I.S.)
- Corel License Academic Program
- Novell Software Licensing Program (SLA)
- CISCO Systems Inc.
- WebCT for provincial licensing
- MediaSmith licensing



Information on technology trends, new products and evaluations

- Web-based platforms
- Filtering solutions
- Internet connectivity options

Technology systems planning

- Previously identified organizational changes did not allow us to meet our projections.

Total Savings to Education: $ 435,930

MERLIN recognized savings to education based on market cost versus MERLIN's cost. This figure reflected audio conferencing port minutes and licenses purchased through the Microsoft Select Academic Program. Although it was often difficult to attach specific dollar value to some of MERLIN's services, direct benefits to the education community were realized through customized training and services which were targeted specifically to education.

2 Generate an awareness of the Agency's services and capabilities to existing and potential new clients - External Communication and Marketing

PUBLIC RELATIONS AND PROMOTIONS

- Rural Forum in Brandon (April 2000)
- Presentations at Riding the Wave on Global Information Systems and Distance Education (May 2000)
- Adult Secondary Education Annual Conference (October 2000)
- Manitoba Association of School Superintendents Annual Conference (November 2000)
- Mystery Lake District Professional Development for K-S4 teachers Trade Show in Thompson (February 2001)
- Computer Education Coordinators of Manitoba regular monthly meetings in the Parklands/Westman and Central regions.
- Southwest Manitoba Education and Technology Consortium
- InForM Net virtual school executive meetings (Interlake, Fort Garry, Morris-MacDonald, and Fort Garry School Divisions)
- MERLIN's Annual Technology Day (over 230 attendees representing superintendents, secretary-treasurers, computer coordinators and technicians from K-S4 and post-secondary institutions. Evaluations indicated that this event was of value to the education community.)
- The Learning Connection Newsletter (distributed in June and October 2000)
- MERLIN's Internet Home Page (more user-friendlier format, online registration for events and online access to newsletters)
- Promotion/Advertising in educational resources:
    1. Manitoba Association of Computer Educators (February 2001)
    2. Assembly of Manitoba Chiefs Annual Magazine (February 2001)
    3. Manitoba Association of School Trustees Annual Magazine (March 2001)
    4. 2001 Schools' Book of Manitoba

The Chief Operating Officer represented the Province of Manitoba on Industry Canada's SchoolNet Working Group on Internet Connectivity. This provided the Agency with Canada-wide information on connectivity issues and opportunities which made useful information available to clients.

One new initiative was a MERLIN Advisory to provide advice for immediate action to computer coordinators, technicians, and superintendents. A second major initiative was the six-month management of the national SchoolNet GrassRoots School Web Site Projects Pilot. The Agency continued to partner with the Distance Learning Information Technology Unit (DLITU) to deliver the main GrassRoots Program.

Manitoba • Education • Research • Learning • Information • Networks
MERLIN

3 PROVIDE SERVICES THAT REFLECT A CLIENT SERVICE FOCUS AND NEED

Responses from the education field to the Agency's overall focus and direction proved to be constructive in addressing new goals and objectives. Focus groups, client satisfaction surveys, one-on-one interviews, formal and informal meetings, evaluations, and personal follow-up confirmed results from the Effectiveness Review. These indicated that MERLIN needed to revise its focus on the education community.

In November, regional public consultations were held in five locations (Winnipeg, Brandon, Winkler, The Pas, and Selkirk) which provided the Agency with an opportunity to discuss its draft discussion paper with clients and stakeholders. Positive reaction to the draft was the basis on which MERLIN began making changes and refocusing services.

4 MAINTAIN AND IMPROVE INTERNAL PROCESSES ON AN ONGOING BASIS TO ENSURE THE EFFECTIVENESS AND EFFICIENCY OF THE AGENCY IN MEETING THE NEEDS OF ITS INTERNAL AND EXTERNAL CLIENTS – INTERNAL COMMUNICATION/ORGANIZATION

In fostering a team approach, MERLIN staff contributed to the organization through participation on Administration, Marketing, Finance, Business Planning, and Client Services Teams. Weekly staff meetings provided a forum to share information, updates and brainstorming sessions.

In order to streamline financial processes the following were put into place:

- SAP training for financial staff provided processes for streamlining the input of financial data
- Students hired to expedite collections from overdue accounts
- Invoicing within seven days of service or product delivery.

Future Outlook

The following strategies were incorporated into the Agency's 2001-04 Business Plan and were the basis for the planning processes conducted during the current fiscal year:

- **Focus on the K-S4 system** – The Agency will increase its focus on the K-S4 system to improve services. The Department of Education, Training and Youth, post-secondary institutions and other government organizations will be regarded as secondary markets.
- **Focus on provincial services** – MERLIN will redirect its technical efforts from providing technical services on a single school division basis to providing broader services to all schools and divisions at once. Included in this activity will be a collaborative undertaking to develop provincial standards for the use of information technology in schools that should result in cost savings and other efficiencies to school divisions.
- **Improved access to MERLIN's services for rural and northern schools** – The Agency will offset the travel costs to rural and northern school divisions so that these divisions will have the same opportunity to access MERLIN's services as those in Winnipeg.
- **Pro-active planning** – MERLIN will begin making provision to address expected further growth in areas such as distributed learning and regionally based services. New contracting options will be investigated to improve the affordability of MERLIN's services to small school divisions.
- **Improved accountability** – MERLIN will enter into an annual funding agreement with the Department of Education, Training and Youth that will explicitly outline the services to be provided on the Department's behalf and the positive outcomes that are expected as a result. This funding agreement will be reviewed annually as a part of the Estimates process to ensure that valuable resources continue to be targeted at the areas of highest priority.

MERLIN's Advisory Board will be revamped in the 2001-02 fiscal year to contribute to a new vision and provide a new function. The Board will provide essential grassroots insight on issues relevant to the education community. Its composition will include a selection of individuals representing school divisions (computer technology coordinators, superintendents) and representatives from the Department of Education, Training and Youth, and post-secondary institutions. An effort will be made to ensure rural/urban and gender parity.

Management Report

The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) and have been prepared in accordance with generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to June 5, 2001.

Management maintains internal controls to properly safeguard MERLIN's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The Auditors' responsibility is to express an independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with generally accepted accounting principles. The Auditors' report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management,

GREG BAYLIS
Chief Operating Officer

W. WAYNE LAVALLEE
Comptroller

Manitoba Education, Research and Learning Information Networks (MERLIN)

June 5, 2001

Audited Financial Statements

Year ended March 31, 2001

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

Suite 600-175 Hargrave Street
Winnipeg Manitoba Canada R3C 3R8
Telephone (204) 944-8720
Telefax (204) 947-3468

AUDITORS' REPORT

TO THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY:

We have audited the balance sheet of **MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at **MARCH 31, 2001** and the statements of income and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at **MARCH 31, 2001**, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Winnipeg, Manitoba
June 5, 2001

CHARTERED ACCOUNTANTS

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

Audited Financial Statements

Year ended March 31, 2001

BALANCE SHEET
(in thousands of dollars)

	March 31, 2001	March 31, 2000
ASSETS		
CURRENT		
Short-term deposits (note 9)	$ 191	$ –
Accounts receivable (note 3)	574	1,041
Prepaid expenses	30	4
Inventory	2	–
	797	1,045
RESTRICTED SHORT-TERM DEPOSITS (note 9)	–	138
RECEIVABLE FROM THE PROVINCE OF MANITOBA (note 4)	47	47
CAPITAL ASSETS (notes 2 and 5)	296	187
	$ 1,140	$ 1,417
LIABILITIES		
CURRENT		
Working capital advances (note 6)	286	679
Accounts payable and accrued expenses (note 9)	750	600
Accrued vacation entitlements (note 7)	83	72
Unearned revenue	64	79
Trust liabilities (note 8)	261	100
	1,444	1,530
EMPLOYEE PENSION BENEFITS (note 9)	–	181
SEVERANCE PAY LIABILITY (note 10)	46	40
	1,490	1,751
COMMITMENTS (note 12)		
EQUITY		
DEFICIT (page 19)	(350)	(334)
	$ 1,140	$ 1,417

Audited Financial Statements

Year ended March 31, 2001

STATEMENT OF INCOME AND DEFICIT
(in thousands of dollars)

	Year ended March 31, 2001	Nine months ended March 31, 2000
REVENUE		
Audio and video delivery	$ 159	$ 104
Manitoba Education, Training and Youth (note 11)	493	385
Internet delivery, installation and technology planning	921	1,258
Training	17	18
Webmaster services	157	84
Interest	10	–
	1,757	1,849
EXPENSES		
Administrative (page 25)	281	171
Allocation to Campus Manitoba	48	36
Audio and video delivery	63	36
Bad debts	6	15
Interest	21	16
Internet access and support	405	863
Marketing	7	3
Salaries and employee benefits	863	629
Travel	62	20
Training delivery	17	3
Satellite expenses (recovery)	–	(43)
	1,773	1,749
NET INCOME (LOSS) FOR YEAR	(16)	100
DEFICIT – BEGINNING OF YEAR	(334)	(434)
DEFICIT – END OF YEAR (page 18)	$ (350)	$ (334)

Manitoba • Education • Research
Learning • Information • Networks
MERLIN

STATEMENT OF CASH FLOWS
(in thousands of dollars)

	Year Ended March 31, 2001	Nine months ended March 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for year	$ (16)	$ 100
Adjustment for Amortization	81	46
	65	146
Changes in non-cash working capital		
Accounts receivable	465	1,900
Prepaid expenses	(26)	1
Accounts payable and accrued expenses	150	(429)
Accrued vacation entitlements	11	12
Trust fund liability	161	100
Pension liability	(181)	70
Severance pay liability	6	5
Unearned revenue	(15)	24
	571	1,683
	636	1,829
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(190)	(27)
Transfer to restricted short-term deposits	(53)	(138)
	(243)	(165)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	–	(12)
NET INCREASE IN CASH AND CASH EQUIVALENTS	393	1,652
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	(679)	(2,331)
CASH AND CASH EQUIVALENTS – END OF YEAR	$ (286)	$ (679)

Notes to Audited Financial Statements

Year ended March 31, 2001

1 NATURE OF ORGANIZATION

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Education, Training and Youth assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency continues to be part of Manitoba Education, Training and Youth under the general and policy direction of the Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF REPORTING

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

CAPITAL ASSETS

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	20%
Computer software	20%
Equipment and furniture	20%

In the period of acquisition, amortization is calculated at one-half the rate indicated.

Manitoba • Education • Research • Learning • Information • Networks
MERLIN

3 ACCOUNTS RECEIVABLE

		2001	2000
Trade and other	$	596	510
Canada-Manitoba Infrastructure Works Project		64	602
		660	1,112
Allowance for doubtful accounts		86	71
	$	574	1,041

4 RECEIVABLE FROM THE PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to designation as a Special Operating Agency and for severance pay benefits prior to March 31, 1998. The balance is comprised of:

		2001	2000
Vacation entitlements	$	19	19
Severance pay benefits		28	28
	$	47	47

5 CAPITAL ASSETS

	2001		2000	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	$ 328	123	160	76
Computer software	65	33	57	21
Equipment and furniture	121	62	107	40
	514	218	324	137
Cost less accumulated amortization	$ 296		187	

6 WORKING CAPITAL ADVANCES

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advances of $2.0 million.

Notes to Audited Financial Statements

Year ended March 31, 2001

7 ACCRUED VACATION ENTITLEMENTS

The Agency follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1998. The liability at this date is offset by a receivable from the Province and was $19 as at March 31, 1998. Any subsequent changes to the entitlement are reflected as a current year expense to the Agency. At the end of the fiscal year 2000/2001 the accrued vacation entitlement was $83.

8 TRUST LIABILITIES

		2001	2000
Campus Manitoba	$	43	34
Grassroots Internet		218	66
	$	261	100

Campus Manitoba represents the balance remaining of funds received from Manitoba Education, Training and Youth for distance education costs.

During the previous fiscal year the Agency entered into an agreement with Industry Canada to operate a Grassroots Internet project for both Manitoba and Canadian Schools. The balance in the account represents funds paid to the Agency but not yet disbursed to the schools.

9 EMPLOYEE PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act. The Agency has recorded an obligation for the pension benefits earned by their employees from the date of designation as an SOA. The methodology for calculating the liability has been determined in conjunction with the Province of Manitoba, which accepts responsibility for pension liability for prior service, as well as for any variance resulting from the calculation.

The Agency deposited an amount equal to the employer's share of the pension liability in a separate investment account.

An actuarial valuation report of the Agency's pension liability to its employees from the date of designation as an SOA was recently completed. The report calculated the pension liability as at March 31, 2000 and provided a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarial liability has been calculated on an indexed basis to be $203 as at March 31, 2001 (2000 - $181).

As at March 31, 2001, the Province has assumed responsibility for administering the SOA's pension liabilities. Accordingly, the pension liability net of the deferred contribution to the Province was reclassified as Accounts Payable. The Agency will transfer funds equal to the net amount to the Province in 2001 - 2002.

Manitoba • Education • Research Learning • Information • Networks
MERLIN

10 SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The estimate of the liability was based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $27 was completely offset by a receivable from the Province. There are no fixed terms for payment.

An actuarial valuation report of the Agency's severance as at March 31, 2000 was recently completed. The liability as at March 31, 2000 was restated to $40 and the receivable from the Province was restated to $28 as a result of the actuarial valuation. There was no effect on the severance benefit expense for the year ended March 31, 2000. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarial liability has been calculated to be $46 as at March 31, 2001.

11 REVENUE – MANITOBA EDUCATION, TRAINING AND YOUTH

The Agency is responsible for the delivery of distance education and technology programs formerly provided through the Manitoba Education, Training and Youth. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

12 COMMITMENTS

The Agency leases office space and certain equipment under long-term leases which expire at various dates. The future minimum payments required under these leases over the next three fiscal years are:

2002	$ 27
2003	$ 3
2004	$ 2

13 CHANGE OF FISCAL YEAR END

During the 2000 fiscal period the Agency changed its fiscal year end to March 31 from June 30 to coincide with the year end of the Special Operating Agencies Financing Authority and the Province of Manitoba. Accordingly, the results of operations are for the year ended March 31, 2001 with comparative figures for the nine months ended March 31, 2000.

Notes to Audited Financial Statements

Year ended March 31, 2001

SCHEDULE OF ADMINISTRATIVE EXPENSES

(in thousands of dollars)

	Year ended March 31, 2001	Nine months ended March 31, 2000
Amortization	$ 81	$ 46
Hospitality	1	1
Occupancy	37	25
Office equipment leases	16	10
Office and sundry	90	52
Professional fees	33	6
Staff training		14
Telephone	23	17
	$ 281	$ 171

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE

(in thousands of dollars)

EMPLOYEE	TITLE	COMPENSATION
Dan Kerr	Chief Operating Officer (Past)	$ 84
Grant Wallin	Senior Consultant	74
Wilson Anderson	Senior Consultant	74
Patrick Hoger	Senior Technology Specialist	68
Skeifa Burke	Consultant	64
Cathy Ackland	Conference Coordinator	59
Wayne Lavallee	Comptroller	58
John Hiebert	Consultant	55
Debra Jennings	Regional Representative	55
Colette Lafond - D'Heilly	Communications & Marketing Manager	54
Greg Baylis	Chief Operating Officer (Current)	51

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum.